

## Contracts and State Purchasing Options

## Contracts and State Purchasing Options – Agenda

- Telecommunication Services Purchase Options
- Internet Access Purchase Options
- Internal Connections Purchase Options
- Why use State Contracts
- Key Considerations
- State Contract E-Rate Process
- Questions and Answers

## Telecommunication Services Purchase Options

- Tariff based services
  - Subject to terms noted tariffs filed with CPUC  
Tariffs contain detail regarding services including rate element descriptions, pricing and other information
- Individual Contracts
  - Contracts executed between a regulated telephone company and a subscriber based on services/products or terms that may not be normally available under a tariff
  - Each agreement must be approved by the CPUC

## Telecommunication Services Purchase Options

- State Master Agreement - CALNET ([www.calnetinfo.com](http://www.calnetinfo.com))
  - Agreement between PacBell/MCI and the State of California based on a competitive bidding process
  - Public schools may purchase services under the contract
  - Contain specific terms and conditions
  - May have favorable pricing advantages in some circumstances
  - Master agreement is available for public inspection
  - May be subject to early termination charges

## Internet Access Services

- Wide spectrum of choices available
  - internet access only
  - internet access with line included (bundled)\*
  - internet access with line and equipment bundled \*
  - internet access, email, line, equipment and management\*
  - can contain content issues\*
  - terms and conditions (monthly vs. term)
    - ♦ may carry special termination charges

\*Some bundled services may include ineligible items, refer to the SLD Eligible Services List

## Internet Access Purchase Options

- Public agencies
  - ♦ County Department of Education
  - ♦ Higher Education - CSU/UC
  - ♦ School Districts
- Private companies
  - ♦ Traditional Internet Service Providers ( ISPs)
  - ♦ Telephone companies
  - ♦ Cable TV companies
  - ♦ Wireless providers
  - ♦ Consortia providers
  - ♦ State Contracts
- Schools must understand and follow special SLD rules regarding resale and public access.

## Internal Connections Purchase Options

- Single vendor
  - Can integrate multiple technologies
- Multiple vendors
  - Potentially wider variety of choices
  - Obtain a project manager for project involving multiple vendors
- Consortia arrangements
  - Leverage buying power of multiple entities
- California State Contracts

## School District Purchasing Requirements

- Government Code 20111 requires purchases of over \$61,200 be competitively bid. This may take up to 90 days to complete a formal bid process.
- For an E-Rate project using a State Contract a contract can be completed within 29 days

## Why use a State Contract?

- Public Contract Code 10299 allows that “State and local agencies may contract with suppliers awarded the contracts (contracts, master contracts, multiple award schedules, cooperative agreements and other agreements) by the Department of General Services without further competitive bidding”

## Why use State Contracts?

- Contact suppliers and ask for competitive quotes  
No need to use suppliers that have not performed in the past
- Get copy of contracts for review
- Write Purchase Order to Supplier of choice
- Get the work done
- Procurement Division will bill administrative fee if applicable.
  - Master Contracts See Ordering instructions
  - CMAS 1.21%
  - Cooperative Agreements No Charge

## CMAS Administrative Fee

- Administrative fee of 1.21 % waived if agency uses a California Certified Small Business
  - Check website at: [www.dgs.ca.gov/osbcr](http://www.dgs.ca.gov/osbcr)
- E-Rate transactions - maximum charge 1.21% or \$25,000.00, whichever is less

## State Contracts

- Available for:
  - Commodities
  - Services
  - Information technology goods and services
  - Some State contracts include Non-IT services (i.e. trenching, electrical work, carpet installation. Costs must be incidental to product costs - 50% for labor)

## Public Works Services

- Public works services-changes to public building, road or structure (i.e., physical layer cabling and carpet installation)
- Public Works Contracts must be bid (per code)
- On State contracts public works component must be incidental (less than 50%) of total project cost

## Advantages of Using State Contracts

- No bids (if permitted via local procurement rules) or use pre-qualified bid list for mini bids
- Reduces cost (staff time/resources reduced)
- No protests (because no bids)
  - (Evaluation Criteria/Intent to Award)
- Timely implementation of projects
  - (no lengthy bid process)
- Elevated levels of service
- Collaborative vs. combative environment

## Advantages of using State Contracts

State Contracts are:

- Bid based contracts or cost compared
- Contain competitively assessed products, services and prices
- No order limit for local agencies
- Over 25000 vendors to choose from
- Flexible (quickly add suppliers, products and services)

## Eligible Services Through State Contracts

- Telecom Services
- Internet access services
- Internal connections

## Review the Contract for Services

- Get a copy of the contract from the service provider and review it to make sure that all required products and services are in the contract

## Key Considerations

- “Elements” of purchases must tie together
  - Technology Plan, Form 470, Form 471 are consistent and coordinated
- Use vendor knowledge to assist in identifying design and technology options
- Include a contract contingency if E-rate funding is not approved

## State Contract E-Rate Process

- File Form 470
- Wait 28 days
- Consider all responses (SLD requirement)
- Follow locally permitted procurement processes
- Issue e-rate contract
- File 471

## Form 470 Considerations

- Indicate if State contracts are required
- Describe the project
- Provide agency contact information
- Have detailed specifications available for interested suppliers
- Consider best value criteria for evaluation

## Contract Considerations

- Verify current status of small business, DVBE and contractor license certifications
- If you allow change orders, require that prices for change orders be at or below the purchase order rates (not to exceed the State contract rates)

## Contract Considerations

- Require supplier to submit invoices for approval before forwarding to SLD and/or accounting for payment
- Specify "functional equivalent" for products to eliminate product substitution if products become outdated obsolete between application date and actual date of delivery
- Issue multiple contracts if E-rate eligible and non-eligible items are used
  - Separate E-rate eligible and non-eligible items
  - Enables accurate tracking of discounts
  - Aids in resolving SLD Program Integrity Assurance issues

## E-Rate Contract Number

- Give resulting E-rate contract a local contract number (for CALNET use ATO number)
- Reference the State Contract number in the body of the E-rate contract. This will avoid problems with existing contract issue dates and extension limits required by the SLD
- Reference E-Rate Contract number and State Contract number on Purchase Order when issued
- Stipulate in E-Rate Contract that award is contingent upon full anticipated E-rate funding

## Term of the Agreement

- **Issue date** - Date agreement signed (must be before the 471 application window closes for the funding year and more than 28 days after posting)
- **End date** - Use last date of the funding year to allow for delays

Telecommunications	June 30
Internet access	June 30
Non-recurring services	September 30

## File 471

- File no sooner than the 29<sup>th</sup> day after posting of Form 470
- Must be received by SLD within “application window” for funding year
- Include local contract number on Form 471 and reference State Contract number on contract
- Reference the E-rate contract number and CMAS contract number in the body of the purchase order

## Managing the Agreement

- Issue work orders against purchase order for each location or address
  - Develops an inventory list of products and
  - Log of hours of services to verify against suppliers final bills for each address
- Show individual start and end dates for each location
- Verify suppliers invoices before sending to SLD and/or accounting for payment
- What if supplier fails to submit their E-rate forms? (Supplier must file annual Form 473 to remain E-rate viable and must file Forms 474 & 486 invoice to get paid.)
- Suppliers may be replaced if they default or go bankrupt

## Evergreen 470

- Applicant does not file Form 470 for certain existing contracts – applicant must know the “establishing Form 470” number (the one that first led to an agreement reported on a Form 471 for E-rate funding)
- Signed, written contracts executed after posting Form 470 in previous funding year
- Written contracts signed on or before July 10, 1997 and reported on prior 470 as a pre-existing contract and have “not” been extended or amended

## “Existing” State Contracts

- There are no existing Existing State Contracts recognized by the E-rate authorities affecting the local procurement process (no Form 470s have been filed on behalf of the state).